

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Lincoln Township	County Midland
Fiscal Year End March 31, 2006	Opinion Date August 3, 2006	Date Audit Report Submitted to State November 27, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

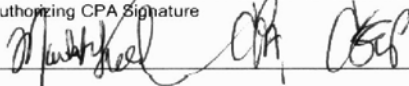
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Burnside & Lang, P.C.		Telephone Number (989) 835-7721	
Street Address 5915 Eastman Ave, Suite 100		City Midland	State MI
Zip 48640			
Authorizing CPA Signature 	Printed Name Mark R. Freed	License Number 1101012221	

Lincoln Township
Midland County, Michigan

Financial Statements
For the Year Ended March 31, 2006

**Lincoln Township
Midland County, Michigan**

For The Year Ended March 31, 2006

Kevin Wray	Supervisor
Kimberly Oswald	Treasurer
Lorenz Hughes	Clerk
Sue Ensign	Trustee
Gary Briggs	Trustee

**LINCOLN TOWNSHIP
MIDLAND COUNTY, MICHIGAN**

Table of Contents

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1
 GENERAL PURPOSE FINANCIAL STATEMENTS	
Government-wide Statement of Net Assets (Exhibit 1)	2
Government-wide Statement of Activities (Exhibit 2)	3
Governmental Funds Balance Sheet (Exhibit 3).....	4
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets (Exhibit 3.1)	5
Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds (Exhibit 4)	6
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities (Exhibit 4.1)	7
Statement of Net Assets Fiduciary Fund (Exhibit 5)	8
Notes to Financial Statements.....	9-16
 REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule General Fund (Exhibit 6)	17
 COMBINING FUND FINANCIAL STATEMENTS	
Combining Balance Sheet - Special Revenue Funds (Exhibit 7)	18
Combining Statement of Revenues, Expenditures, and Changes In Fund Balances - Special Revenue Funds (Exhibit 8)	19

Independent Auditors' Report

To The Honorable Members of
The Township Board of Trustees
Lincoln Township
Midland County, Michigan

We have audited the general purpose financial statements of Lincoln Township, Midland County, Michigan, as of and for the year ended March 31, 2006, as listed in the table of contents. These financial statements are the responsibility of the Township Board of Trustees. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Lincoln Township, Midland County, Michigan, at March 31, 2006, and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying financial information listed as combining fund financial statements and supplementary information in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of Lincoln Township, Midland County, Michigan. The information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Burnside & Lang, P.C.

Midland, Michigan
August 3, 2006

**LINCOLN TOWNSHIP
MIDLAND COUNTY, MICHIGAN
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
March 31, 2006**

ASSETS

Cash and cash equivalents	\$ 682,016
Taxes and assessments receivable - current	22,007
Due from other funds	301
Prepaid expenditures	13,488
Capital assets:	
Land	80,000
Buildings and improvements, net	180,000
Equipment, net	700
Vehicles, net	160,720
Total capital assets	<u>421,420</u>
Total assets	<u>1,139,232</u>

LIABILITIES

Accrued expenses	250
Long-term liabilities:	
Portion due or payable within one year:	
Bonds and contracts payable	30,000
Portion due or payable after one year:	
Bonds and contracts payable	<u>300,000</u>
Total liabilities	<u>330,250</u>

NET ASSETS

Invested in capital assets, net of related debt	91,420
Restricted for:	
Prepaid expenditures	13,488
Unrestricted	<u>704,074</u>
Total net assets	<u>\$ 808,982</u>

The accompanying notes are an integral part of these financial statements.

**LINCOLN TOWNSHIP
MIDLAND COUNTY, MICHIGAN
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
For the Year Ended March 31, 2006**

Activities:	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
General Government:					
Township board	\$ 28,521	\$ -	\$ -	\$ -	\$ (28,521)
Supervisor	20,815	-	-	-	(20,815)
Treasurer	32,992	-	-	-	(32,992)
Assessing	20,683	-	-	-	(20,683)
Clerk	24,577	-	-	-	(24,577)
Board of review	933	-	-	-	(933)
Buildings and grounds	30,304	-	-	-	(30,304)
All other general government	43,453	-	-	-	(43,453)
Fire protection	49,765	-	1,750	-	(48,015)
Building inspection and regulation activities	28,460	40,991	-	-	12,531
Roads	45,292	-	-	-	(45,292)
Water system	2,000	-	-	-	(2,000)
Street lights	6,733	-	-	-	(6,733)
Sanitation, solid waste	25,065	15,515	-	-	(9,550)
Planning and zoning	6,885	-	-	-	(6,885)
Library	9,410	-	-	-	(9,410)
Interest and fiscal charges	22,991	-	-	-	(22,991)
Total governmental activities	\$ 399,594	\$ 56,506	\$ 1,750	\$ -	(341,338)
General revenues:					
Property taxes, levied for general purposes					223,602
State revenue sharing					156,065
Interest earnings					9,589
Rents and royalties					2,235
Miscellaneous					16,410
Total general revenues					407,901
Change in net assets					66,563
Net assets-beginning					742,419
Net assets-ending					\$ 808,982

The accompanying notes are an integral part of these financial statements.

**LINCOLN TOWNSHIP
MIDLAND COUNTY, MICHIGAN
GOVERNMENTAL FUNDS BALANCE SHEET
March 31, 2006**

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 319,459	\$ 362,557	\$ 682,016
Taxes and fees receivable	8,695	13,312	22,007
Due from other funds	301	54,648	54,949
Prepaid items	11,511	1,977	13,488
Total assets	<u>\$ 339,966</u>	<u>\$ 432,494</u>	<u>\$ 772,460</u>
LIABILITIES AND FUND EQUITY			
Liabilities:			
Accrued expenses	\$ 250	\$ -	\$ 250
Due to other funds	6,668	47,980	54,648
Total liabilities	<u>6,918</u>	<u>47,980</u>	<u>54,898</u>
Fund Equity:			
Fund balance:			
Reserved for prepaid expenditures	11,511	1,977	13,488
Unreserved and undesignated	321,537	382,537	704,074
Total fund balances	<u>333,048</u>	<u>384,514</u>	<u>717,562</u>
Total liabilities and fund equity	<u>\$ 339,966</u>	<u>\$ 432,494</u>	<u>\$ 772,460</u>

The accompanying notes are an integral part of these financial statements.

**LINCOLN TOWNSHIP
MIDLAND COUNTY, MICHIGAN
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
March 31, 2006**

Total fund balances for governmental funds (Exhibit 3)	\$	717,562
--	----	---------

Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land	\$	80,000	
Buildings and improvements		180,000	
Equipment		700	
Vehicles		<u>160,720</u>	
Total capital assets			421,420

Long-term liabilities applicable to the Township's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net assets.

Balances at March 31, 2006 are:

Revenue bonds, dated October 17, 1991	\$	(240,000)	
Midland County water supply system bonds, dated June 1, 1996		<u>(90,000)</u>	
			<u>(330,000)</u>

Total net assets of governmental activities (Exhibit 1)	\$	<u><u>808,982</u></u>
---	----	-----------------------

**LINCOLN TOWNSHIP
MIDLAND COUNTY, MICHIGAN
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS
For the Year Ended March 31, 2006**

	General Fund	Special Revenue Funds	Total
REVENUES			
Tax Collections	\$ 91,638	\$ 131,964	\$ 223,602
State aid	156,065	-	156,065
Charges for services	15,789	-	15,789
Interest and dividends	5,165	4,424	9,589
Rents and royalties	2,235	-	2,235
Licenses and permits	7,205	19,360	26,565
Trailerpark fees	1,018	-	1,018
Court fees	138	-	138
Zoning	38	-	38
Landfill revenue	14,708	-	14,708
Miscellaneous	16,410	-	16,410
Total revenues	310,409	155,748	466,157
EXPENDITURES			
General Government:			
Township board	28,521	-	28,521
Supervisor	20,815	-	20,815
Treasurer	32,992	-	32,992
Assessing	20,683	-	20,683
Clerk	24,577	-	24,577
Elections	715	-	715
Board of review	933	-	933
Buildings and grounds	15,304	-	15,304
All other general government	40,355	1,998	42,353
Public Safety:			
Fire protection	-	40,085	40,085
All other public safety activities	28,460	-	28,460
Public Works:			
Roads	45,292	-	45,292
Landfill	25,065	-	25,065
Street lights	6,733	-	6,733
Water district charges	-	2,000	2,000
Community Development:			
Planning and zoning	6,885	-	6,885
Recreation and Culture:			
Library	9,410	-	9,410
Debt Service			
Principal payments	-	30,000	30,000
Interest payments	-	22,991	22,991
Total expenditures	306,740	97,074	403,814
Net change in fund balances	3,669	58,674	62,343
Fund balances-beginning	329,379	325,840	655,219
Fund balances-ending	\$ 333,048	\$ 384,514	\$ 717,562

The accompanying notes are an integral part of these financial statements.

**LINCOLN TOWNSHIP
MIDLAND COUNTY, MICHIGAN
RECONCILIATION OF THE STATEMENT OF REVENUE,
EXPENDITURES, AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
For the Year Ended March 31, 2006**

Net change in fund balances - total governmental funds (Exhibit 4)	\$	62,343
--	----	--------

The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$0) exceeded depreciation (\$25,780) in the current period.		(25,780)
--	--	----------

Bond proceeds and capital leases are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.

Repayments:

Revenue bonds	15,000		
Water supply system bonds	15,000		
			30,000

Change in net assets of governmental activities (Exhibit 2)	\$	66,563
---	----	--------

The accompanying notes are an integral part of these financial statements.

**LINCOLN TOWNSHIP
MIDLAND COUNTY, MICHIGAN
STATEMENT OF NET ASSETS
FIDUCIARY FUND
March 31, 2006**

	Tax Collection
ASSETS	
Cash and cash equivalents	\$ 301
Total assets	<u>301</u>
LIABILITIES	
Due to other funds	<u>301</u>
Total liabilities	<u>301</u>
NET ASSETS	<u><u>\$ -</u></u>

The accompanying notes are an integral part of these financial statements.

**LINCOLN TOWNSHIP
MIDLAND COUNTY, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS
March 31, 2006**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Lincoln Township (the "Township") conform to generally accepted accounting principles (GAAP) in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township:

A. Reporting Entity

Lincoln Township was organized prior to 1900 and covers an area of approximately 24 square miles. The Township is governed by an elected five-member board. The Township provides services to its various residents in many areas, including general government, public safety, public works recreation and culture.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contribution that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**LINCOLN TOWNSHIP
MIDLAND COUNTY, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS
March 31, 2006**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgements are recorded only when payment is due.

C. Assets, Liabilities, and Net Assets

Bank Deposits and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

All receivables are shown net of allowance for uncollectible accounts, if any.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the statement of net assets. Capital assets are defined by their government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	40 years
Equipment	3-5 years
Vehicles	25 years

**LINCOLN TOWNSHIP
MIDLAND COUNTY, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS
March 31, 2006**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance

The Township reports reservations of its fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Compensated Absences

The Township does not have any vacation, sick time or other benefits, which meet the requirements for recording compensated absences. Accordingly, no liability has been recorded for compensated absences.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at fiscal year end. The Township does not follow encumbrance accounting. The budget document presents information by fund, function, department or activity, and line items. The legal level of budgetary control adopted by the governing body is at the fund level.

**LINCOLN TOWNSHIP
MIDLAND COUNTY, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS
March 31, 2006**

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

During the year, the Township incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

<u>Budgeted Item</u>	<u>Budget Appropriation</u>	<u>Actual Expenditure</u>
Treasurer	\$ 27,511	\$ 32,992
Clerk	21,005	24,577
Buildings and grounds	13,750	15,304

NOTE 3. DEPOSITS AND CASH EQUIVALENTS

Michigan Compiled Laws, Section 129.91, authorizes the Township to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Township is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers acceptances of United States banks' commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Township Board of Trustees has designated two banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all the instruments listed above.

**LINCOLN TOWNSHIP
MIDLAND COUNTY, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS
March 31, 2006**

NOTE 3. DEPOSITS AND CASH EQUIVALENTS (continued)

The Township's deposits and investment policy are in accordance with statutory authority.

At year-end, the Township's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Total
	<hr/>	<hr/>	<hr/>
Cash and cash equivalents	<u>\$ 682,016</u>	<u>\$ 301</u>	<u>\$ 682,317</u>

The breakdown between deposits and investments is as follows:

Bank Deposits (checking and savings, certificate of deposit)	<u>\$ 682,317</u>
---	-------------------

The carrying amounts and bank balances of the Township's deposits at March 31, 2006 total \$682,317, of which \$200,000 is covered by federal deposit insurance.

Investment and Deposit Risk

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned. The Township does not have a deposit policy for custodial credit risk. At year end, the Township had \$482,317 of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits.

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, that Lincoln Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At year end, the Township had no investment activity.

Interest Rate Risk. Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. State law limits the allowable investments and the maturities of some of the allowable investments. The Township has no investment at this time, therefore they have no interest rate risk.

**LINCOLN TOWNSHIP
MIDLAND COUNTY, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS
March 31, 2006**

NOTE 4. CAPITAL ASSETS

Capital asset activity of the Township for the current year was as follows:

Governmental Activities	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated				
Land	\$ 80,000	\$ -	\$ -	\$ 80,000
Capital Assets Being Depreciated				
Buildings and improvements	600,000	-	-	600,000
Equipment	113,300	-	-	113,300
Vehicles	322,000	-	-	322,000
Subtotal	<u>1,035,300</u>	<u>-</u>	<u>-</u>	<u>1,035,300</u>
Less Accumulated Depreciation				
Buildings and improvements	405,000	15,000	-	420,000
Equipment	111,500	1,100	-	112,600
Vehicles	151,600	9,680	-	161,280
Subtotal	<u>668,100</u>	<u>25,780</u>	<u>-</u>	<u>693,880</u>
Net Capital Assets Being Depreciated	<u>367,200</u>	<u>25,780</u>	<u>-</u>	<u>341,420</u>
Governmental Activities Capital Assets–Net of Depreciation	<u>\$ 447,200</u>	<u>\$ 25,780</u>	<u>\$ -</u>	<u>\$ 421,420</u>

Depreciation expense was charged to programs of the Township as follows:

General Government:	
Building and grounds	\$ 15,000
All other general government	1,100
Fire Protection	<u>9,680</u>
	<u>\$ 25,780</u>

**LINCOLN TOWNSHIP
MIDLAND COUNTY, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS
March 31, 2006**

NOTE 5. LONG TERM DEBT

The following is a summary of long-term debt of Lincoln Township for the year ended March 31, 2006:

<u>Long-Term Debt</u>	<u>04/01/2005</u>	<u>Additions (Reductions)</u>	<u>03/31/2006</u>
Revenue Bonds, dated October 17, 1991 in the amount of \$330,000; due in annual payments of \$5,000 to \$25,000 beginning November 1, 1991, plus interest ranging from 4.7% to 6.88%.	\$ 255,000	\$ (15,000)	\$ 240,000
Midland County Water Supply System Bonds dated June 1, 1996 in the amount of \$200,000; due in annual payments of \$10,000 to \$15,000 beginning May 1, 1997, plus interest ranging from 4.4% to 5.75%.	<u>105,000</u>	<u>(15,000)</u>	<u>90,000</u>
Total Long-Term Debt	<u>\$ 360,000</u>	<u>\$ (30,000)</u>	<u>\$ 330,000</u>

The annual long-term debt requirement of the Township for each of the five years following the balance sheet date are as follows:

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Annual Debt Service</u>
3/31/2007	\$ 30,000	\$ 21,143	\$ 51,143
3/31/2008	30,000	19,286	49,286
3/31/2009	35,000	17,423	52,423
3/31/2010	35,000	15,204	50,204
3/31/2011	40,000	10,744	50,744
3/31/2012-2016	<u>160,000</u>	<u>38,759</u>	<u>198,759</u>
	<u>\$ 330,000</u>	<u>\$ 122,559</u>	<u>\$ 452,559</u>

**LINCOLN TOWNSHIP
MIDLAND COUNTY, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

NOTE 6. SIMPLIFIED EMPLOYEE PENSION PLAN

The Township participates in the Municipal Retirement System, Inc., under the Michigan Township Participating Plan. This is a defined contribution money purchase pension plan covering substantially all employees and is administered by an insurance company. A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Such benefits depend solely on the amount contributed to the participant's account and on returns earned on investments on those contributions.

The Township contributes 7% of covered employees' annual compensation. Each employee also contributes 7% of his or her annual compensation. Contributions to the plan are funded in advance each December based on estimated annual employee compensation amounts for the following year. Any unearned advance contributions are refunded and any additional contributions due are paid when actual compensation amounts are submitted to the plan administrator at the close of the plan year. In accordance with these requirements, the Township contributed \$8,673 during the current year.

NOTE 7. INTERFUND RECEIVABLES AND PAYABLES

The amounts of the interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Fund</u>	<u>Interfund Payables</u>
Fire fund	\$ 23,801	General fund	\$ 6,668
Liquor fund	30,847	Water fund	47,980
General fund	301	Tax fund	301
Total	<u>\$ 54,949</u>		<u>\$ 54,949</u>

NOTE 8. RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers compensation). The Township has purchased commercial insurance for these types of claims. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

**LINCOLN TOWNSHIP
MIDLAND COUNTY, MICHIGAN
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended March 31, 2006**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Tax Collections	\$ 89,455	\$ 89,455	\$ 91,638	\$ 2,183
State aid	159,000	159,000	156,065	(2,935)
Charges for services	25,000	25,000	15,789	(9,211)
Interest and dividends	2,200	2,200	5,165	2,965
Rents and royalties	8,412	8,412	2,235	(6,177)
Licenses and permits	-	-	7,205	7,205
Trailerpark fees	960	960	1,018	58
Court fees	-	-	138	138
Zoning	-	-	38	38
Landfill revenue	10,500	10,500	14,708	4,208
Miscellaneous	14,000	14,000	16,410	2,410
Total revenues	309,527	309,527	310,409	882
EXPENDITURES				
General Government:				
Towship board	33,250	33,250	28,521	4,729
Supervisor	22,052	22,052	20,815	1,237
Treasurer	27,511	27,511	32,992	(5,481)
Assessing	24,050	24,050	20,683	3,367
Clerk	21,005	21,005	24,577	(3,572)
Elections	2,500	2,500	715	1,785
Board of review	2,200	2,200	933	1,267
Buildings and grounds	13,750	13,750	15,304	(1,554)
All other general government	87,650	87,650	40,355	47,295
Public Safety:				
All other public safety activities	28,460	28,460	28,460	-
Public Works:				
Roads	54,000	54,000	45,292	8,708
Landfill	26,050	26,050	25,065	985
Street lights	11,000	11,000	6,733	4,267
Community Development:				
Planning and zoning	49,550	49,550	6,885	42,665
Recreation and Culture:				
Library	10,050	10,050	9,410	640
Capital Outlay	8,000	8,000	-	8,000
Total expenditures	421,078	421,078	306,740	114,338
Net change in fund balances	(111,551)	(111,551)	3,669	(115,220)
Fund balances-beginning	329,379	329,379	329,379	-
Fund balances-ending	\$ 217,828	\$ 217,828	\$ 333,048	\$ (115,220)

**LINCOLN TOWNSHIP
MIDLAND COUNTY, MICHIGAN
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
March 31, 2006**

	Fire Fund	Water Fund	Liquor Fund	Total
ASSETS				
Cash and cash equivalents	\$ 130,960	\$ 226,593	\$ 5,004	\$ 362,557
Taxes and fees receivable	7,023	6,289	-	13,312
Due from other funds	23,801	-	30,847	54,648
Prepaid items	1,977	-	-	1,977
Total assets	\$ 163,761	\$ 232,882	\$ 35,851	\$ 432,494
LIABILITIES AND FUND EQUITY				
Liabilities:				
Accrued expenses	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	47,980	-	47,980
Total liabilities	-	47,980	-	47,980
Fund Equity:				
Fund balance:				
Reserved for prepaid expenditures	1,977	-	-	1,977
Unreserved and undesignated	161,784	184,902	35,851	382,537
Total fund balances	163,761	184,902	35,851	384,514
Total liabilities and fund equity	\$ 163,761	\$ 232,882	\$ 35,851	\$ 432,494

**LINCOLN TOWNSHIP
MIDLAND COUNTY, MICHIGAN
COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES
IN FUND BALANCES - SPECIAL REVENUE FUNDS
For the Year Ended March 31, 2006**

	Fire Fund	Water Fund	Liquor Fund	Total
REVENUES				
Tax Collections	\$ 66,678	\$ 65,286	\$ -	\$ 131,964
Interest and dividends	1,863	2,504	57	4,424
Licenses and permits	1,755	15,515	2,090	19,360
Total revenues	70,296	83,305	2,147	155,748
EXPENDITURES				
General Government:				
All other general government	-	-	1,998	1,998
Public Safety:				
Fire protection	40,085	-	-	40,085
Public Works:				
Water district charges	-	2,000	-	2,000
Debt Service				
Principal payments	-	30,000	-	30,000
Interest payments	-	22,991	-	22,991
Total expenditures	40,085	54,991	1,998	97,074
Net change in fund balances	30,211	28,314	149	58,674
Fund balances-beginning	133,550	156,588	35,702	325,840
Fund balances-ending	\$ 163,761	\$ 184,902	\$ 35,851	\$ 384,514

August 3, 2006

Members of the Township Board
of Trustees
Lincoln Township
Midland County, Michigan

Dear Board Members:

In planning and performing our audit of the financial statements of Lincoln Township, for the year ended March 31, 2006, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. However, we noted certain matters involving the internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could adversely affect the Township's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that we believe to be material weaknesses.

REPORTABLE CONDITIONS (MATERIAL WEAKNESSES)

General Ledger

The general ledger is the primary record of the Township and should reflect all financial activity. In accordance with State Treasury accounting procedures, it is the Clerk's responsibility to monitor and maintain the general ledger for the Township. During our audit, we found it necessary to make several adjusting entries to the March 31, 2006 general ledger, created by the Treasurer.

We recommend that the Township's general ledger be monitored each month by the Clerk as mentioned in the above comment.

Appropriations in Budgetary Funds

P.A. 2 of 1968, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. We noted during our audit that the Township incurred expenditures in excess of the amount appropriated in the General Fund.

We recommend the modified accrual basis of accounting be considered when adopting and amending the budget of the Township's governmental type funds. The budget should be amended during the year to reflect expenditures expected to be made in excess of the original budget amounts. These amendments must be approved by the Township Board and documented in the Board's meeting minutes. This will help prevent the Township from incurring expenditures in excess of appropriations.

OTHER MATTERS

The following items, although not considered reportable conditions, are matters we believe worthy of your consideration.

Fire Bank Accounts

Inquiries during our audit indicated the firemen have two bank accounts that are not controlled by the Township's Treasurer. The State of Michigan does not allow a local unit to operate a bank account independent of the local unit treasurer. Additionally, the treasurer must receive and deposit all local unit money and pay out the money on proper order. We recommend the bank accounts be closed and the remaining monies be forwarded to the Township's Treasurer.

Financial Oversight

The general limitations in any smaller municipalities like Lincoln Township requires that the Township Board of Trustee members continue to remain involved in the financial affairs of the Township through oversight of operation, development of the annual budget, inquiries about variance between budgeted and actual amounts shown in the financial statements, and the independent review of critical functions. Our comment here is intended to emphasize the importance of this oversight.

Conclusion

These conditions were considered in determining the nature, timing, and extent of the audit tests applied on our audit of the March 31, 2006, financial statements, and this report does not affect our report on those financial statements dated August 3, 2006. We have not considered internal control since the date of our report.

This report is intended for the information of the members of the Township Board, management and the State of Michigan, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Sincerely,

Burnside & Lang, P.C.

BURNSIDE & LANG, P.C.